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Security Council

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Letter dated 9 May 2008 from the Secretary-General to the President of the Security Council

I refer to my letter to the President of the Security Council, dated 11 March 2008 (S/2008/175). In that letter, I informed the Security Council that the processing of the authentication documents remained slow and I recommended that the situation be reviewed by the Working Group early in May 2008 on the basis of the results achieved as at 30 April 2008 and stated my intention to provide a follow-up report to the Security Council thereafter.

Following my recommendation to the Security Council, a meeting of the Working Group was held in Amman from 1 to 5 May 2008 to address and resolve outstanding issues, in particular, issues arising from the claims of suppliers that were enumerated in the note attached to my letter of 11 March 2008. In this respect, I hereby transmit the full report of the Working Group outlining the progress made with respect to the issues involved (see enclosure).

The Security Council may recall that, at the meeting of the Working Group that was held in Amman in January 2008, it was reported that there were 210 outstanding letters of credit as at 31 December 2007. As shown in the enclosed report, I am pleased to report that the number of outstanding letters of credit has since decreased to 151, as at 30 April 2008. This decrease is mainly due to the cancellation of 55 letters of credit and the payment in full of 4 letters of credit. However, I should note my concern regarding the slow or non-provision of the necessary authentication documents.

In the context of the meeting of the Working Group from 1 to 5 May 2008, the Government of Iraq has proposed an extension of the time limit to resolve all outstanding issues until 30 June 2008 in order to provide the necessary authentication documents. In addition, the Government of Iraq has proposed that the Working Group meet in July 2008 to finalize its work. In the light of the proposal of the Government of Iraq, I would recommend that the situation be reviewed by the Working Group in July 2008 on the basis of results achieved as at 30 June 2008. If the Council agrees, I shall provide a further progress report in July 2008, after a final meeting of the Working Group.

The Security Council may then review and take a decision on how to resolve outstanding issues, including, but not limited to, the establishment of a dispute resolution mechanism as proposed in my letter to the President of the Security Council dated 7 December 2007 (S/2007/725).

The Security Council may recall that I had proposed in my letter of 11 March 2008 that some unencumbered funds be released and transferred to the Development Fund for Iraq pursuant to Security Council resolution 1483 (2003). The Security Council's guidance is now sought regarding the timing of any possible transfer of such funds to the Development Fund for Iraq.

(*Signed*) **Ban Ki-moon**

Enclosure

Meeting of the Working Group regarding the termination of the operations of the letters of credit for the oil-for-food programme

Amman, 1 to 5 May 2008

I. Introduction

1. At meetings held in Jordan between the representatives of the Government of Iraq and the United Nations Secretariat on 20 and 21 November 2007 to discuss arrangements for the termination of the operations of the oil-for-food programme, it was agreed that a working group made up of members of the Secretariat, the Ministry of Foreign Affairs of Iraq, the Central Bank of Iraq and the relevant ministries of the Government of Iraq would be set up in order to minimize the number of unpaid letters of credit with pending claims of delivery issued in relation to the programme.

2. In a letter from the Secretary-General to the President of the Security Council dated 7 December 2007 (S/2007/725), the Secretary-General proposed the establishment of a claims settlement mechanism to bring the programme to an orderly and timely closure should issues remain unresolved following the meetings of the Working Group.

3. A first meeting of the Working Group was held in Amman from 7 to 17 January 2008. In a letter from the Secretary-General to the President of the Security Council dated 23 January 2008 (S/2008/41), the Secretary-General transmitted the results of the meeting of the Working Group to the Security Council, outlining the progress made with respect to the letters of credit still outstanding.

4. In a letter from the President of the Security Council to the Secretary-General dated 29 February 2008 (S/2008/140), the Council members welcomed the positive developments between the Secretariat and the relevant ministries and authorities of the Government of Iraq at the Working Group meetings. In the letter, the members of the Council called upon the Working Group to continue its efforts expeditiously to resolve all outstanding issues and requested a further comprehensive report by 15 March 2008.

5. In a letter from the Secretary-General to the President of the Security Council dated 11 March 2008 (S/2008/175), the Secretary-General reported progress made with regard to letters of credit still outstanding. He informed the Security Council that the processing of the authentication documents by the Government of Iraq remained slow. The Secretary-General recommended that the situation be reviewed by the Working Group early in May 2008 on the basis of the results achieved as at 30 April 2008 and stated his intention to provide a follow-up report to the Security Council thereafter.

6. Following the recommendation of the Secretary-General, a meeting of the Working Group was held in Amman from 1 to 5 May 2008. The Working Group met to address and resolve issues arising from 167 letters of credit that were reported to the Security Council in the letter from the Secretary-General to the President of the Security Council, dated 11 March 2008. In the context of the meeting, the Working Group reviewed all outstanding claims so that the ministries concerned could

confirm the delivery of the goods in each case and issue and transmit the necessary confirmations of arrival at the earliest possible time thereafter.

II. Status of the programme and developments since the January 2008 meetings of the Working Group

7. The Working Group was briefed on the status of the processing of unpaid letters of credit as at 30 April 2008. It was noted that the number of letters of credit decreased from 210 at the end of December 2007 to 151 at the end of April 2008 (see tables 1.A and 1.B). This decrease was mainly due to the 55 letters of credit that were cancelled between 1 January and 30 April 2008 (see annex IV). It was also noted that the number of letters of credit with claims of delivery decreased from 164 (with a value of approximately US$ 175 million) at the end of December 2007 to 143 (with a value of approximately $294 million) at the end of April 2008 (see tables 1.A and 1.B). The increase in the value of claims is due in part to new shipments made in December 2007 and the presentation of documents in 2008 to BNP Paribas by the beneficiaries of letters of credit and in part to the strengthening of the euro against the United States dollar for those letters of credit denominated in euros. In addition, payments against 23 letters of credit (see annex V) were processed since the January 2008 meeting of the Working Group.

8. The Secretariat noted that the number of unpaid letters of credit with claims of delivery was not significantly reduced since the previous meeting of the Working Group, in January 2008. The Secretariat noted also that, in the absence of progress in processing letters of credit with claims of delivery, those letters of credit would remain unresolved and the corresponding cash collateral would continue to be held in the United Nations Iraq Account.

Table 1
Status of letters of credit by expiry period as at 30 April 2008

	Outstanding letters of credit		*Letters of credit with claims of delivery*	
Expiration period	*Number*	*Value*[a]	*Number*	*Value*[a]
2004	29	30 412 088.93	27	22 847 736.68
2005	6	2 065 697.14	6	1 891 007.13
2006	59	189 582 257.78	57	93 310 982.88
2007	57	300 649 426.42	53	175 513 378.59
Total	**151**	**522 709 470.27**	**143**	**293 563 105.28**
Total at 29 February 2008	**167**	**604 745 525.21**	**148**	**263 695 840.09**

[a] United States dollar equivalent.

Table 1.A
Comparative status of letters of credit for 31 December 2007, 29 February 2008 and 30 April 2008, by expiry period

Expiration period	Status of letters of credit at 31 December 2007		Status of letters of credit at 29 February 2008		Status of letters of credit at 30 April 2008		Changes, 1 March to 30 April 2008	
	Number	Claims of delivery	Number	Claims of delivery	Number	Claims of delivery	Number	Claims of delivery
2004	42	38	33	30	29	27	(4)	(3)
2005	10	8	7	6	6	6	(1)	0
2006	81	70	62	56	59	57	(3)	1
2007	77	48	65	56	57	53	(8)	(3)
Total	**210**	**164**	**167**	**148**	**151**	**143**	**(16)**	**(5)**

Table 1.B
Comparative status of letters of credit for 31 December 2007, 29 February 2008 and 30 April 2008, by expiry period

Expiration period	Status of letters of credit at 31 December 2007		Status of letters of credit at 29 February 2008		Status of letters of credit at 30 April 2008		Changes, 1 March to 30 April 2008	
	Value[a]	Value of claims[a]	Value[a]	Value of claims[a]	Value[a]	Value of claims[a]	Value[a]	Value of claims[a]
2004	53 982 125.30	42 564 611.84	39 120 755.93	30 799 952.54	30 412 088.93	22 847 736.68	(8 708 667.00)	(7 952 215.86)
2005	4 471 712.41	1 768 665.51	2 208 858.42	1 842 789.75	2 065 697.14	1 891 007.13	(143 161.28)	48 217.37
2006	202 940 716.35	48 856 568.37	191 313 411.90	48 963 277.90	189 582 257.78	93 310 982.88	(1 731 154.13)	44 347 704.97
2007	394 859 812.09	82 180 854.15	372 102 498.96	182 089 819.89	300 649 426.42	175 513 378.59	(71 453 072.54)	(6 576 441.30)
Total	**656 254 366.16**	**175 370 699.87**	**604 745 525.21**	**263 695 840.09**	**522 709 470.27**	**293 563 105.28**	**(82 036 054.95)**	**29 867 265.20**

[a] United States dollar equivalent.

Table 2
Status of letters of credit by ministry as at 30 April 2008

Ministry	Outstanding letters of credit		Letters of credit with claims of delivery	
	Number	Value[a]	Number	Value[a]
Agriculture	18	39 574 873.59	18	22 054 608.76
Baghdad Mayoralty	2	31 019 945.48	2	4 367 459.33
Education	2	50 719 895.86	2	45 954 856.34
Electricity	12	58 666 881.07	11	24 062 554.17
Health	3	8 432 868.99	3	1 341 432.93
Higher Education	2	8 552 490.91	1	8 505 000.00
Housing and Construction	2	36 587 041.53	2	6 892 010.90
Industry	3	988 460.72	3	988 460.72
Municipalities	9	28 588 296.23	9	10 655 326.81
Oil Spares	37	79 360 431.17	33	28 644 253.94
Trade — Automobile	8	13 584 921.71	8	7 294 742.28
Trade — Construction	26	89 085 725.84	25	64 135 586.98
Trade — Foodstuff	4	4 729 818.93	3	4 290 858.85
Trade — Grain Board	2	2 208 755.48	2	559 552.55
Trade — Shopping Centre	5	3 243 313.58	5	3 184 519.45
Transportation	8	12 874 737.26	8	11 455 172.12
Water Resources	8	54 491 011.93	8	49 176 709.16
Total	**151**	**522 709 470.27**	**143**	**293 563 185.28**

[a] United States dollar equivalent.

9. As a result of the meetings of the Working Group and a comprehensive and intensive review of the letters of credit still unpaid as at 30 April 2008, the Working Group prepared the status report on outstanding letters of credit related to the programme (tables 2 to 4). Representatives of the Ministry of Trade, responsible for 45 letters of credit, were not able to participate in the meetings of the Working Group and transmitted their comments in writing.

Table 3
Status of letters of credit by category as at 30 April 2008

Category	Total outstanding letters of credit		Letters of credit with claims of delivery	
	Number	Value[a]	Number	Value[a]
Confirmation of arrival in Iraq which may be issued by the Government of Iraq prior to 15 May 2008 (see annex I)	79	324 224 336.37	78	216 131 708.27
Letters of credit requested to be cancelled by the Government of Iraq and final status to be reviewed by the Secretariat (see annex II)	50	180 535 187.07	45	61 092 389.23
Payments in process partial or full where confirmations of arrival has been received recently (see annex III)	22	17 949 946.83	20	16 339 007.78
Total	**151**	**522 709 470.27**	**143**	**293 563 105.28**

[a] United States dollar equivalent.

10. The Secretariat noted that the summary status shows a very significant number of letters of credit with outstanding claims of delivery still unresolved. The Secretariat noted also that, while a number of confirmations of arrival were expected by the end of March 2008 in accordance with the results of the previous meeting of the Working Group, there were 78 letters of credit with pending claims of delivery still outstanding. Accordingly, the Secretariat reiterated that, in the absence of a confirmation of arrival, in all of such cases, the respective letter of credit would remain unresolved and the corresponding cash collateral would continue to be held in the United Nations Iraq Account.

Table 4
Analysis of letters of credit by category and ministry as at 30 April 2008

Category	*Total*		*1*		*2*		*3*	
Ministry	*No.*	*Value*[a]	*No.*	*Value*[a]	*No.*	*Value*[a]	*No.*	*Value*[a]
Agriculture	18	39 574 873.59	6	10 443 233.26	9	26 725 425.33	3	2 406 215.00
Baghdad Mayoralty	2	31 019 945.48	0	—	1	26 713 395.64	1	4 306 549.84
Education	2	50 719 895.86	1	40 456 720.08	1	10 263 175.78	0	
Electricity	12	58 666 881.07	7	21 804 058.48	5	36 862 822.58	0	
Health	3	8 432 868.99	2	1 560 685.22	1	6 872 183.77	0	
Higher Education	2	8 552 490.91	1	8 505 000.00	0		1	47 490.91
Housing and Construction	2	36 587 041.53	1	19 059 190.03	1	17 527 851.50	0	
Industry	3	988 460.72	3	988 460.72	0		0	
Municipalities	9	28 588 296.23	8	28 384 766.07	1	203 530.16	0	
Oil Spares	37	79 360 431.17	16	44 315 810.41	17	33 241 666.77	4	1 802 953.99
Trade — Automobile	8	13 584 921.71	6	11 617 604.67	2	1 967 317.04	0	
Trade — Construction	26	89 085 725.84	17	75 978 906.21	4	7 266 117.24	5	5 840 702.38
Trade — Foodstuff	4	4 729 818.93	1	4 023 745.92	1	105 123.80	2	600 949.21
Trade — Grain Board	2	2 208 755.48	2	2 208 755.48	0		0	
Trade — Shopping Centre	5	3 243 313.58	3	2 333 376.82	1	130 314.13	1	779 622.63
Transportation	8	12 874 737.26	1	66 850.47	6	12 656 263.33	1	151 623.46
Water Resources	8	54 491 011.93	4	52 477 172.52	0		4	2 013 839.41
Totals	**151**	**522 709 470.27**	**79**	**324 224 336.37**	**50**	**180 535 187.07**	**22**	**17 949 946.83**
Totals at 29 February 2008	**167**	**604 745 525.21**	**113**	**394 701 147.12**	**17**	**140 167 762.45**	**19**	**19 954 154.96**

[a] United States dollar equivalent.

Categories: 1. Confirmation of arrival in Iraq which maybe issued by the Government of Iraq prior to 15 May 2008 (see annex I).
2. Letters of credit requested to be cancelled by the Government of Iraq and final status to be reviewed by the Secretariat (see annex II).
3. Payments in process partial or full where confirmation of arrival has been received recently (see annex III).

III. Letters of credit identified for cancellation by the Government of Iraq

11. In January 2008, the Working Group had agreed to review 57 letters of credit identified for cancellation by the Government of Iraq in annex IV to the report of the meeting of the Working Group attached to the Secretary-General's letter to the President of the Security Council dated 23 January 2008 (S/2008/41). Of the 57 letters of credit identified, the Bank cancelled 42 and one was fully paid. However, 14 letters of credit could not be cancelled as there were outstanding claims of delivery.

12. In a continuing effort to move towards the termination of the operations of the programme, the Secretariat has continued to regularly review letters of credit that have expired on their own terms with no claims of delivery. As a result of this continued review, the Bank was able to cancel 13 additional letters of credit with no claims of delivery. Accordingly, the corresponding cash collateral was released from the collateral portion to the non-collateral portion of the United Nations Iraq Account and would be available, in principle, for transfer to the Development Fund for Iraq pursuant to Security Council resolution 1483 (2003).

13. In the context of the meetings of the Working Group, the concerned ministries identified 50 additional letters of credit for cancellation (see annex II) where the concerned ministries indicated that the goods and/or services associated with those specific letters of credit did not arrive or the services were not provided in Iraq. As in the past, the Secretariat agreed to review the letters of credit identified but pointed out that the majority of the letters of credit identified by the concerned ministries have outstanding claims of delivery.

IV. Claims against letters of credit that have been cancelled

14. With regard to certain contracts prioritized in accordance with Security Council resolution 1483 (2003), the Working Group identified certain cases where claims of delivery for shipments made within the validity of the related letter of credit were communicated or discovered after the respective letter of credit had been cancelled.

15. The representatives of the Government of Iraq were briefed on the circumstances of each of those letters of credit and were provided with the relevant documentation. The Secretariat noted that, in the absence of a resolution of the respective claims of delivery, those letters of credit would also remain unresolved.

V. Status of the United Nations Iraq Account

16. As at 30 April 2008, the United Nations Iraq Account (escrow account) contained $1.032 million which is composed of $215 million and €524 million held in the euro sub-account with an equivalent value of $817 million (at a rate of 1.5576). Of the total amount of $1.032 million, approximately $523 million is currently held in the cash collateral portion of the escrow account for expired letters of credit to cover claims of delivery made by suppliers. The remaining amount of $509 million is currently held in the non-collateral portion of the escrow account

which corresponds to the following amounts: (a) $187 million which is being held in the escrow account as a reserve for any unanticipated claims until such date as all unresolved issues relating to the programme are finally resolved pursuant to paragraph 16 of the note attached to the Secretary-General's letter to the President of the Security Council dated 10 July 2006 (S/2006/510); (b) $225 million originally held in the escrow account as collateral in respect of expired letters of credit which have not been transferred to the Development Fund for Iraq pending the resolution of claims of delivery from suppliers in those cases where the Government of Iraq has not issued authentication documents pursuant to the notes attached to the letters of the Secretary-General to the President of the Security Council dated 25 July 2007 (S/2007/476), 7 December 2007 (S/2007/725) and 23 January 2008 (S/2008/41); and (c) $97 million composed of $82 million from recently cancelled letters of credit and any unrealized gains from the strengthening of the euro against the United States dollar.

VI. Conclusions of the meeting of the Working Group

17. The Secretariat noted the very limited progress achieved with regard to the processing and issuance of confirmations of arrival related to unpaid letters of credit with claims of delivery since the previous meeting of the Working Group (see S/2008/41). The Secretariat highlighted that the Security Council has repeatedly expressed its concern about the problem of slow or non-provision of authentication documents.

18. The Secretariat reiterated also the need for the Government of Iraq to process the confirmations of arrival related to letters of credit to make it possible to terminate the operations of the programme. In the absence of such confirmations, the Secretariat emphasized that a dispute resolution mechanism might be deemed necessary, as proposed by the Secretary-General in his letter to the President of the Security Council dated 7 December 2007 (S/2007/725).

19. The Government of Iraq acknowledged the Secretariat's position and indicated that it would expedite the issuance of such confirmations of arrival and the resolution of all outstanding issues. In relation to the transfer of funds to the Development Fund for Iraq and the establishment of the claims settlement mechanism, the Government of Iraq proposed that the deadline for providing the confirmations and resolving the disputes between the buyers and the sellers be extended to 30 June 2008. In addition, the Government of Iraq proposed that the Working Group meet in July 2008 to finalize its work. The Government of Iraq requested that during this period funds be kept in the escrow account. Should issues remain unresolved following the meetings of the Working Group in July 2008, the Government of Iraq declared that it would be supportive of any decision of the Security Council to resolve outstanding issues including, but not limited to, the establishment of a dispute resolution mechanism. The Secretariat noted that it lacked authority to agree to such proposal as this would require the express approval of the Security Council. The Secretariat agreed to bring the Government of Iraq's proposal to the attention of the Secretary-General.

20. The Secretariat reiterated that the United Nations has no indemnification from the Government of Iraq on the funds that have been transferred and will be transferred to the Development Fund for Iraq, as indicated in the letter of the

Secretary General to the President of the Security Council dated 10 July 2006 (S/2006/510).

For the United Nations:
(*Signed*) Teklay Afeworki
Principal Officer
5 May 2008

For the Government of Iraq:
(*Signed*) Srood Najib
Ambassador
5 May 2008

For the Central Bank of Iraq:
(*Signed*) Haseeb Kadhem Jwaid
General Director of Investment
5 May 2008

List of participants

Government of Iraq

Mr. Srood R. Najib, Ministry of Foreign Affairs

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Mr. Teklay Afeworki

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Annex I*

Confirmation of arrival in Iraq which may be issued by the Government of Iraq prior to 15 May 2008

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Agriculture	1100171	V751200	86 684.11	86 684.11	0.00
Agriculture	1100304	V736362	1 385 328.35	1 385 317.76	10.59
Agriculture	1101473	V736780	621 517.02	621 517.02	0.00
Agriculture	1200933	P739022	4 082 729.92	187 483.79	3 895 246.14
Agriculture	1201414	P750944	4 072 738.40	2 620 598.12	1 452 140.28
Agriculture	1300126	B750927	194 235.46	194 235.43	0.04
Education	900655	L737547	40 456 720.08	40 456 720.08	0.00
Electricity	601701	Z722153	359 057.63	51 476.64	307 581.00
Electricity	700663	U724186	1 552 678.00	307 308.00	1 245 370.00
Electricity	702374	U760000	13 542 586.00	0.00	13 542 586.00
Electricity	900778	L737115	855 338.89	83 412.46	771 926.43
Electricity	1001243	T733865	6 270.76	5 959.22	311.54
Electricity	1200840	P738507	1 107 792.00	109 542.00	998 250.00
Electricity	1200853	P738659	4 380 335.19	4 341 066.20	39 268.99
Health	801130	M728881	1 037 821.98	1 037 821.90	0.08
Health	1100539	V737691	522 863.24	59 102.80	463 760.44
Higher Education	702153	U735282	8 505 000.00	8 505 000.00	0.00
Housing & Construction	1001517	T751770	19 059 190.03	6 392 959.50	12 666 230.53
Industry	702674	U751752	424 116.60	424 116.60	0.00
Industry	900991	L751810	52 155.48	52 155.48	0.00
Industry	1200555	P751720	512 188.63	512 188.63	0.00
Municipalities	802719	C750829	2 841 142.37	2 841 142.37	0.00
Municipalities	901987	L734729	934 579.44	934 579.44	0.00
Municipalities	902053	L736336	11 520 517.45	361 045.53	11 159 471.92
Municipalities	902090	L738698	479 200.00	121 500.00	357 700.00
Municipalities	1000840	T734819	112 463.89	112 463.89	0.00
Municipalities	1001204	T751571	10 877 552.96	5 070 166.67	5 807 386.29
Municipalities	1001466	T736516	1 556 386.29	947 975.08	608 411.21
Municipalities	1200370	P738022	62 923.68	62 923.68	0.00
Oil Spares	630631	Z737711	196 400.00	196 400.00	0.00
Oil Spares	630860	Z731736	30 336.02	12 213.30	18 122.72
Oil Spares	631026	Z751762	682 727.27	37 272.72	645 454.55
Oil Spares	631028	Z751761	672 727.00	672 727.00	0.00
Oil Spares	631031	Z751763	2 174 545.00	2 174 545.00	0.00
Oil Spares	631048	Z728693	420 000.00	385 000.00	35 000.00
Oil Spares	730971	U737440	758 233.33	706 069.64	52 163.69
Oil Spares	731024	U737646	2 715 527.73	2 360 960.75	354 566.98

* The annexes are being circulated in the language of submission only.

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Oil Spares	731032	U737779	4 825 651.37	4 825 651.37	0.00
Oil Spares	830558	M734207	78 223.06	78 223.06	0.00
Oil Spares	830639	M734860	24 937.69	24 937.69	0.00
Oil Spares	1030451	T735631	65 566.46	65 566.46	0.00
Oil Spares	1030728	T735299	28 928 538.41	4 361 606.37	24 566 932.04
Oil Spares	1230025	P751776	2 363 636.36	2 363 636.36	0.00
Oil Spares	1230347	P738858	94 347.93	94 347.93	0.00
Oil Spares	1230495	P750674	284 412.77	284 412.77	0.00
Trade-Automobile	801598	C726086	4 663 478.19	1 022 862.40	3 640 615.79
Trade-Automobile	902034	L735561	210 638.50	210 638.47	0.03
Trade-Automobile	1101710	V737379	5 146 207.79	4 341 161.23	805 046.56
Trade-Automobile	1200291	P737772	380 939.61	346 579.28	34 360.33
Trade-Automobile	1201398	P750262	84 049.92	84 049.84	0.08
Trade-Automobile	1300213	B750302	1 132 290.65	1 132 290.65	0.00
Trade-Construction	801103	C725591	1 222 974.07	56 099.84	1 166 874.22
Trade-Construction	801344	C726197	2 568 596.01	2 568 588.79	7.23
Trade-Construction	802954	C738447	1 742 089.33	1 154 327.46	587 761.87
Trade-Construction	802968	C737867	377 371.11	377 371.11	0.00
Trade-Construction	802969	M737883	25 251.70	25 111.92	139.78
Trade-Construction	900034	L727655	4 107 250.14	4 107 239.27	10.87
Trade-Construction	900209	L729055	16 457 082.17	3 383 045.89	13 074 036.28
Trade-Construction	901788	L731638	75 955.93	75 955.93	0.00
Trade-Construction	1000426	T732124	3 261 906.15	3 261 862.87	43.29
Trade-Construction	1000445	T733494	7 370 899.69	7 198 940.17	171 959.52
Trade-Construction	1000446	T734532	1 369 901.54	824 252.60	545 648.94
Trade-Construction	1000600	T732494	32 863 211.56	32 863 211.56	0.00
Trade-Construction	1100087	V735834	2 015 049.08	36 876.01	1 978 173.07
Trade-Construction	1100129	V736053	254 014.19	79 324.25	174 689.94
Trade-Construction	1100139	V734535	1 809 402.54	1 802 484.58	6 917.96
Trade-Construction	1100149	V734536	64 157.17	45 355.22	18 801.95
Trade-Construction	1300215	B750425	393 793.85	393 793.83	0.02
Trade-Food Stuff	1300594	B751625	4 023 745.92	4 015 183.49	8 562.43
Trade-Grain Board	901341	L737106	280 573.21	280 573.21	0.00
Trade-Grain Board	1200994	P751686	1 928 182.27	278 979.35	1 649 202.93
Trade-Shopping Center	1100408	V736165	55 016.29	55 015.97	0.33
Trade-Shopping Center	1101147	V735680	797 975.02	786 702.18	11 272.83
Trade-Shopping Center	1300164	B750291	1 480 385.51	1 480 385.51	0.00
Transportation	1100335	V734553	66 850.47	66 850.47	0.00
Water Resources	601333	Z718896	5 701 045.67	719 593.26	4 981 452.41
Water Resources	700712	U732313	275 125.00	82 200.00	192 925.00

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Water Resources	702423	U726920	3 578 447.34	3 522 214.33	56 233.01
Water Resources	1100581	V734761	42 922 554.52	42 922 554.52	0.00
Total	**79 LCs**		**324 224 336.37**	**216 131 708.27**	**108 092 628.10**

Annex II

Letters of credit requested to be cancelled by the Government of Iraq and final status to be reviewed by the Secretariat

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Agriculture	800329	C729396	4 024 814.04	4 024 814.04	-
Agriculture	800783	C727202	3 287 057.49	3 287 057.49	-
Agriculture	801639	M751744	305 295.95	192 012.46	113 283.49
Agriculture	1002233	T751386	7 498 995.16	840 531.51	6 658 463.64
Agriculture	1002236	T751710	1 261 352.26	46 728.97	1 214 623.29
Agriculture	1100926	V736033	5 448 687.45	2 081 354.92	3 367 332.52
Agriculture	1101106	V751800	1 849 538.21	1 849 538.21	-
Agriculture	1200447	P750982	965 024.21	205 050.95	759 973.26
Agriculture	1200564	P750157	2 084 660.58	2 084 660.58	-
Baghdad Mayoralty	901066	L751671	26 713 395.64	60 909.49	26 652 486.15
Education	1300021	B739304	10 263 175.78	5 498 136.26	4 765 039.52
Electricity	601654	Z725037	19 918 584.19	3 833 340.83	16 085 243.36
Electricity	700824	U724641	339 592.71	339 592.71	-
Electricity	801479	C733847	12 422 155.88	11 867 466.28	554 689.60
Electricity	900778	L737360	1 465 255.45	432 242.99	1 033 012.46
Electricity	901749	L732684	2 717 234.35	2 691 146.84	26 087.51
Health	1000752	T739588	6 872 183.77	244 508.22	6 627 675.55
Housing & Construction	1001474	T751716	17 527 851.50	499 051.40	17 028 800.09
Municipalities	1100301	V737613	203 530.16	203 530.16	-
Oil Spares	631099	Z737736	197 733.97	-	197 733.97
Oil Spares	631157	Z751164	3 866 043.61	3 863 707.17	2 336.45
Oil Spares	730770	U731683	19 614 089.82	-	19 614 089.82
Oil Spares	830330	C729335	386 672.21	192 503.43	194 168.79
Oil Spares	830875	C734978	144 559.61	-	144 559.61
Oil Spares	930074	L730874	948 731.81	246 109.13	702 622.68
Oil Spares	1030389	T735614	73 052.94	73 052.94	-
Oil Spares	1030463	T734293	2 560 404.98	317 788.16	2 242 616.82
Oil Spares	1030622	T751572	105 655.78	54 306.92	51 348.86
Oil Spares	1230094	P739017	100 050.02	51 641.20	48 408.82
Oil Spares	1230159	P738616	49 885.44	49 885.44	-
Oil Spares	1230176	P751169	2 396 574.77	2 396 574.77	-
Oil Spares	1230255	P738650	434 878.85	-	434 878.85
Oil Spares	1230318	P750352	94 780.00	89 203.33	5 576.67
Oil Spares	1230448	P739150	1 909 470.40	1 295 336.45	614 133.96
Oil Spares	1230584	P751290	65 965.73	65 965.73	-
Oil Spares	1230588	P750096	293 116.82	293 116.82	-
Trade-Automobile	1000226	T731031	1 811 553.80	1 397.15	1 810 156.64
Trade-Automobile	1000288	T731067	155 763.24	155 763.24	-

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Trade-Construction	601979	Z726060	2 277 994.33	-	2 277 994.33
Trade-Construction	1000299	T732141	25 237.35	23 081.95	2 155.40
Trade-Construction	1100016	V733855	121 520.83	23 162.10	98 358.72
Trade-Construction	1100020	V735808	4 841 364.74	45 206.20	4 796 158.54
Trade-Food Stuff	1300553	B751627	105 123.80	105 123.80	-
Trade-Shopping Center	1001275	T739181	130 314.13	82 794.30	47 519.83
Transportation	801061	C727374	2 504 848.86	2 447 527.88	57 320.98
Transportation	1100075	V734155	45 129.13	45 129.13	-
Transportation	1201429	P750492	66 412.77	66 412.77	-
Transportation	1201430	P739433	234 576.62	230 059.72	4 516.90
Transportation	1201532	P750004	7 850 467.29	7 850 467.29	-
Transportation	1300033	B750473	1 954 828.66	745 397.90	1 209 430.76
Total	**50 LCs**		**180 535 187.07**	**61 092 389.23**	**119 442 797.84**

Annex III

Payments in process partial or full where confirmation of arrival has been received recently

Ministry	Comm No	Letter of Credit	LC Value Equivalent US$	Pending Documents at BNP	Balance US$ with no claims
Agriculture	800784	C727209	726 893.43	726 893.43	0.00
Agriculture	901306	L731155	1 544 195.40	1 544 195.40	0.00
Agriculture	1300396	B751597	135 126.17	75 934.58	59 191.59
Baghdad Mayoralty	802571	M750987	4 306 549.84	4 306 549.84	0.00
Higher Education	601441	Z719977	47 490.91	0.00	47 490.91
Oil Spares	1030464	T751365	1 197 954.67	885 421.26	312 533.41
Oil Spares	1030568	T735765	15 576.32	15 576.32	0.00
Oil Spares	1230127	P751526	522 915.20	43 986.65	478 928.55
Oil Spares	1230606	P751359	66 507.79	66 507.79	0.00
Trade-Construction	702787	U732869	915 157.23	915 157.23	0.00
Trade-Construction	800975	C725998	1 398 985.11	1 398 244.64	740.47
Trade-Construction	802945	C736601	173 764.17	147 974.86	25 789.31
Trade-Construction	1000454	T731373	169 310.69	145 433.52	23 877.17
Trade-Construction	1101152	V737364	3 183 485.19	3 183 485.19	0.00
Trade-Food Stuff	900045	L726681	329 637.91	0.00	329 637.91
Trade-Food Stuff	1001636	T736742	271 311.29	170 551.56	100 759.74
Trade-Shopping Center	1100102	V734534	779 622.63	779 621.50	1.14
Transportation	1201424	P750468	151 623.46	3 326.96	148 296.50
Water Resources	601909	Z727261	796 254.00	765 856.00	30 398.00
Water Resources	702154	U725738	474 818.36	422 274.16	52 544.20
Water Resources	801777	M728103	691 204.77	690 454.61	750.16
Water Resources	1200538	P751207	51 562.28	51 562.28	0.00
Total	**22 LCs**		**17 949 946.83**	**16 339 007.78**	**1 610 939.04**

Annex IV

List of cancelled letters of credit between 1 January and 30 April 2008

CommNo	LC	EXPIRY	Curr	Amount in Original Currency	US$ equivalent
731018	U737630	9-Feb-2004	EUR	208 840.91	304 432.81
600882	Z718687	30-Jun-2004	USD	900 547.82	900 547.82
801381	M728717	29-Apr-2004	EUR	5 116.79	7 458.88
1000623	T732881	23-Feb-2004	EUR	47 227.91	71 449.18
1100100	V734670	18-May-2004	EUR	1 638 081.90	2 551 529.44
1101995	V738920	30-Jun-2004	EUR	1 493 905.86	2 177 705.34
1200278	P738491	31-Dec-2004	EUR	255 095.74	371 859.68
1200288	P750602	30-Apr-2004	EUR	12 521.25	18 252.55
1201433	P751682	19-Aug-2004	EUR	11 635.25	16 961.01
1230165	P750440	31-Jul-2004	EUR	72 973.00	106 374.64
1230417	P751267	20-Oct-2004	EUR	58 087.41	84 675.52
				11 LOCs	**6 611 246.87**
1230009	P751781	28-Feb-2005	GBP	1 010 000.00	2 011 952.19
801150	M728133	31-Dec-2005	USD	12 583.88	12 583.88
901392	L751798	11-Apr-2005	EUR	11 537.70	16 818.80
00278	K712779	28-Feb-2005	USD	511 809.06	511 809.06
				4 LOCs	**2 553 163.94**
601309	Z730434	19-Jun-2006	USD	427 428.62	427 428.62
802974	M730082	18-Jun-2006	EUR	6 867.96	10 011.60
830307	M728505	19-Jun-2006	EUR	10 528.00	15 346.94
830694	M737946	19-Jun-2006	JPY	159 664 718.00	1 400 567.70
830799	C732826	18-Jun-2006	EUR	71 500.00	108 169.44
901366	L731772	18-Jun-2006	EUR	98 276.45	143 260.13
1002009	T738894	18-Jun-2006	EUR	3 055.00	4 453.35
1030349	T735766	18-Jun-2006	EUR	3 637 313.17	5 302 205.79
1030441	T751294	18-Jun-2006	EUR	357 329.45	520 888.41
1030526	T751291	18-Jun-2006	EUR	671 060.00	978 221.57
1101233	V751706	19-Jun-2006	EUR	152 678.52	222 563.44
1101881	V751733	16-Jun-2006	EUR	660 533.20	962 876.38
1200070	P750366	24-Jul-2006	EUR	1 789 750.00	2 707 639.94
1200401	P750513	19-Jun-2006	EUR	242 603.02	367 024.24
1200623	P751734	19-Jun-2006	EUR	4 597 990.91	6 702 610.66
1201412	P751161	18-Jun-2006	EUR	2 500 342.17	3 782 665.92
1230061	P738957	19-Jun-2006	EUR	10 990.08	16 020.52
1230276	P751455	30-Aug-2006	EUR	3 775.14	5 503.12
1230556	P751484	19-Jun-2006	EUR	3 000.00	4 373.18
1230558	P750349	19-Jun-2006	EUR	4 812.10	7 014.72
1300129	B750354	19-Jun-2006	EUR	766 827.33	1 117 824.10
				21 LOCs	**24 806 669.77**

CommNo	LC	EXPIRY	Curr	Amount in Original Currency	US$ equivalent
600833	Z729302	31-Dec-2007	USD	110 069.00	110 069.00
601808	Z725517	31-Dec-2007	USD	1 210 560.00	1 210 560.00
630745	Z720101	31-Dec-2007	USD	171 052.73	171 052.73
701121	U723215	31-Dec-2007	USD	175 000.00	175 000.00
801214	C725898	31-Dec-2007	EUR	5 454.68	7 951.43
802673	C729573	31-Dec-2007	USD	22 000.00	22 000.00
830267	M727734	31-Dec-2007	EUR	61 607.36	89 806.65
930181	L729782	31-Dec-2007	EUR	30 483 545.05	46 117 314.75
930599	L733054	31-Dec-2007	EUR	482 215.23	729 523.80
1030296	T734029	31-Dec-2007	EUR	197 226.72	298 376.28
1101025	V737519	31-Dec-2007	EUR	1 833.68	2 673.00
1101138	V735694	31-Dec-2007	EUR	3 172 000.00	4 623 906.71
1101214	V735708	31-Dec-2007	EUR	1 720 000.00	2 507 288.63
1200057	P736624	31-Dec-2007	EUR	2 306 340.91	3 362 012.99
1200844	P738601	31-Dec-2007	CHF	13 766 402.70	12 075 791.84
1230497	P739154	31-Dec-2007	EUR	231 482.61	350 200.62
1230582	P751730	31-Dec-2007	EUR	1 230 243.00	1 793 357.14
1230615	P750175	31-Dec-2007	EUR	8 359.20	12 646.29
1300131	B750306	31-Dec-2007	EUR	10 234 120.00	15 482 783.66
				19 LOCs	**89 142 315.52**
				55 LOCs	**123 113 396.09**

Annex V

Payments made between 1 January and 30 April 2008

Paid in euros

Comm No	LC	Date paid	Value in the Original currency	Currency	Euro Value
702674	U751752	4-Feb-2008	3 401.22	EUR	3 401.22
702787	U732869	3-Mar-2008	99 670.43	EUR	99 670.43
702787	U732869	25-Jan-2008	751 581.79	EUR	751 581.79
800975	C725998	15-Feb-2008	264 161.23	EUR	264 161.23
801479	C733847	5-Mar-2008	414 570.25	CHF	401 171.14
802719	C750829	4-Feb-2008	272 138.60	EUR	272 138.60
900045	L726681	8-Jan-2008	1 172 606.40	EUR	960 978.86
900778	L737360	18-Apr-2008	75 000.00	EUR	75 000.00
900778	L737360	18-Apr-2008	72 500.00	EUR	72 500.00
900778	L737360	18-Apr-2008	100 000.00	EUR	100 000.00
900991	L751810	21-Apr-2008	47 505.76	EUR	47 505.76
1000226	T731031	28-Jan-2008	2 055 061.00	JPY	13 048.01
1000454	T731373	15-Feb-2008	160 645.08	EUR	160 645.08
1030389	T735614	25-Jan-2008	46 900.00	EUR	46 900.00
1100335	V734553	18-Apr-2008	32 105.00	EUR	32 105.00
1200370	P738022	3-Apr-2008	193 635.00	EUR	193 635.00
1200853	P738659	28-Jan-2008	19 985.00	CHF	12 482.82
1200853	P738659	28-Jan-2008	302 612.00	CHF	189 014.37
1201514	P751389	15-Feb-2008	10 506.35	EUR	10 506.35
1300215	B750425	27-Feb-2008	17 943.45	EUR	17 943.45
				16 LOCs	**3 724 389.11**

Paid in dollars

Comm No	LC	Date paid	Value in the Original currency	Currency	Dollar Value
601441	Z719977	17-Apr-2008	1 363 600.00	USD	1 363 600.00
702374	U760000	24-Jan-2008	1 979 880.00	USD	1 979 880.00
702374	U760000	24-Jan-2008	1 790 250.00	USD	1 790 250.00
702374	U760000	24-Jan-2008	924 100.00	USD	924 100.00
702374	U760000	8-Apr-2008	1 101 900.00	USD	1 101 900.00
702374	U760000	8-Apr-2008	275 000.00	USD	275 000.00
702374	U760000	8-Apr-2008	1 397 760.00	USD	1 397 760.00
				2 LOCs	**8 832 490.00**

Paid either in full or in partial and cancelled (euros)

Comm No	LC	Date paid	Value in the Original currency	Currency	Euro Value
802679	C731210	7-Jan-2008	677 862.59	EUR	677 862.59
900032	L728872	7-Mar-2008	325 936.85	EUR	325 936.85
900032	L728872	7-Mar-2008	325 936.85	EUR	325 936.85
900032	L728872	7-Mar-2008	272 722.67	EUR	272 722.67
900032	L728872	7-Mar-2008	372 499.26	EUR	372 499.26
900032	L728872	7-Mar-2008	512 186.48	EUR	512 186.48
900032	L728872	7-Mar-2008	70 774.86	EUR	70 774.86
900032	L728872	7-Mar-2008	585 355.98	EUR	585 355.98
900032	L728872	7-Mar-2008	465 624.08	EUR	465 624.08
900032	L728872	7-Mar-2008	638 570.16	EUR	638 570.16
900032	L728872	7-Mar-2008	372 499.26	EUR	372 499.26
900032	L728872	7-Mar-2008	186 249.63	EUR	186 249.63
900032	L728872	7-Mar-2008	465 624.07	EUR	465 624.07
1100100	V734670	8-Jan-2008	5 867 403.75	EUR	5 867 403.75
1230554	P750081	25-Jan-2008	26 740.56	EUR	26 740.56
				4 LOCs	**11 165 987.05**

Paid either in full or in partial and cancelled (dollars)

Comm No	LC	Date paid	Value in the Original currency	Currency	Dollar Value
601799	Z719838	2-Jan-2008	2 067 866.24	USD	2 067 866.24
601799	Z719838	6-Mar-2008	3 380 200.00	USD	3 380 200.00
601799	Z719838	8-Apr-2008	30 000.00	USD	30 000.00
601799	Z719838	8-Apr-2008	6 096 000.00	USD	6 096 000.00
				1 LOC	**11 574 066.24**

United Nations S/2008/319

Security Council

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Letter dated 12 May 2008 from the Secretary-General to the President of the Security Council

I have the honour to convey the attached communication dated 7 May 2008 which I received from Jaap de Hoop Scheffer, Secretary-General of the North Atlantic Treaty Organization (see annex).

I should be grateful if you would bring it to the attention of the members of the Security Council.

(*Signed*) **Ban** Ki-moon

08-33808 (E) 150508

Annex

Letter dated 7 May 2008 from the Secretary-General of the North Atlantic Treaty Organization to the Secretary-General

In accordance with Security Council resolutions 1386 (2001) and 1510 (2003), I attach a report on the operations of the International Security Assistance Force covering the period from November 2007 to January 2008. I would appreciate your making this report available to the Security Council.

(*Signed*) Jaap **de Hoop Scheffer**

Enclosure

Quarterly report to the United Nations on the operations of the International Security Assistance Force

Introduction

1. The present report covers the period from 1 November 2007 to 31 January 2008. As at 28 January 2008, the total strength of the International Security Assistance Force (ISAF) stood at 47,710 personnel from 26 NATO countries and 2,258 from 13 non-NATO countries.

2. Throughout the reporting period ISAF has continued to assist the Government of Afghanistan in accordance with relevant Security Council resolutions. From 1 November 2007 to 31 January 2008, ISAF suffered 237 casualties in total: 31 killed in action, 179 wounded in action, 4 non-battle deaths and 23 non-battle injuries.

3. The operational focus has been to maintain pressure on opposing militant forces while maturing partnered relationships with the Afghan National Security Forces. The Afghan National Army has continued to grow in both size and capability. Combined operations, specifically in the southern and eastern regions, have served to challenge the intentions of the opposing militant forces and develop a more competent Afghan Army.

4. ISAF continued to build momentum by sustaining a high operational tempo in the winter months. The Afghan National Security Forces were given greater responsibility in the planning and execution of operations. ISAF, in partnership with the security forces, will continue to conduct operations to expand the authority of the Government and provide security in order to facilitate reconstruction and development by the international community.

Security situation

5. Over the reporting period activity of the opposing militant forces throughout Afghanistan was influenced by severe winter weather conditions as well as successful ISAF and coalition operations. Owing to those factors, the opposing militant forces primarily concentrated on attacks using improvised explosive devices. An exception to this pattern is the improvised explosive device suicide attack on the Serena hotel in Kabul. The opposing militant forces are expected to continue to attempt such attacks in the future. Regional security situations are as follows:

(a) **Regional Command Capital**. Despite the attack on the Serena hotel, Regional Command Capital witnessed a reduction in the number of attacks by the opposing militant forces. Increased cooperation of the population with the Government and ISAF resulted in the turnover of large weapon caches.

(b) **Regional Command North**. The situation in Regional Command North remained stable, yet volatile. Key powerbrokers are critical contributors to the stability of this area despite their continued opposition to the authority of the Government. Their influence prevents significant consolidation of the opposing militant forces in Regional Command North; however, any fluctuations in this

balance of power could cause an imbalance that may allow the opposing militant forces to gain a stronger foothold.

(c) **Regional Command West**. Movements of the opposing military forces from Regional Command South to the west into Farah Province have been reported. Such activity has been focused in Farah and Badghis Provinces and directed at softer targets and the Afghan National Police. Major portions of Regional Command West remain stable, owing in part to successful regional control, as in Herat, and development efforts by the international community.

(d) **Regional Command South**. The Afghan National Security Forces, supported by ISAF, regained control of Musa Qala — a stronghold of the opposing militant forces and drug trade centre. Continued ISAF pressure forced the opposing militant forces to adjust their traditional winter patterns and caused significant tension within the leadership hierarchy. Opposing militant forces remain present throughout the region, although they are unlikely to seek direct contact with ISAF and the Afghan National Security Forces, favouring instead asymmetric attacks.

(e) **Regional Command East**. The combined activities of ISAF, the Government, and non-governmental organizations in parts of Regional Command East produced positive results during the reporting period. The coordinated results of security and development operations are gaining the support of local tribes. The cooperation of the tribal leaders and their supporters allows sustainable progress in governance and development and provides an encouraging blueprint for future strategy in other areas of Afghanistan.

Afghan National Army

6. Despite a high operational tempo and considerable rebuilding challenges, the Afghan National Army continues to steadily improve. The army is becoming a more confident and capable fighting force and with continued mentorship will grow into a respected organization representative of the people of Afghanistan.

7 **Capability**. During the reporting period, Afghan army units continued to show measurable improvement and an eagerness to assume more responsibility. Focused efforts on improving the army's ability to sustain combat operations, conduct logistical planning and plan for and lead operations are developing the Afghan National Army into a self-sufficient force. Over 50 per cent of the army's combat units were considered capable of performing security operations with external support.

8. **Manning**. The Afghan National Army was authorized 70,000 personnel, and approximately 37,000 were assigned over the reporting period. As at 31 January 2008, present-for-duty rates in the combat units remained steady, with approximately 22,000 available for operations.

9. **Equipment**. Gradual improvement in the overall equipment situation continued but severe shortages remained. Efforts by countries to equip the army were gradually increasing.

10. **Training**. The continuing inability to adequately resource operational mentor and liaison teams remained the most significant limiting factor to the development of the Afghan army. These small teams of trainers play a critical role in the growth

of the army through their daily interaction with members of various units. Generating the teams in sufficient numbers remains a matter of priority for NATO.

Afghan National Police

11. The Afghan National Police requires significant effort in development to meet its desired level of capability. Underdevelopment of the police results in increased reliance on ISAF and Afghan army forces to offer the Afghan population continuity in security. Increased support and coordination from the international community is urgently required for the training, equipping and development of the Afghan police.

12. To improve the development of the Afghan police, Combined Security Transition Command-Afghanistan has developed a draft concept of operation for international police mentor teams to provide the basis for ensuring standardized training within the police. Fielding adequate numbers of mentor teams remains a priority.

13. Focused District Development, the focal ongoing project of Combined Security Transition Command-Afghanistan, has been initiated in several districts. The programme aims at enhancing police capabilities; transforming the Afghan uniformed police into a service loyal to the Afghan people and Afghan national interests; building a "prosecutor-driven justice system"; strengthening the linkage of the uniformed police to provincial, regional and national leaders and staff; and developing Afghan Ministry of the Interior capabilities by mentoring its leadership.

Counter-narcotics

14. The link between the illicit narcotics industry and insurgency has been apparent over the reporting period, further fuelling instability and the corruption that threatens all levels of governance, including police authority and the wider rule of law. Ultimately, this also prevents meaningful reconstruction and development.

15. The operation to retake Musa Qala proved that, with good cross-agency coordination, disruption of the illegal narcotics industry can be achieved during mainstream operations.

16. Within its mandate and resources, ISAF continued to support the Government's key counter-narcotics forces, both the Afghan Special Narcotics Force and the National Interdiction Unit. The Government, supported by ISAF, conducted a pre-planting information operations campaign that appears to have had some good results. ISAF has also provided logistic support to a number of Afghan interdiction operations.

Neighbouring countries

17. The security situation in Pakistan continues to influence the activities of the opposing militant forces in Afghanistan. The situation became extremely volatile during the reporting period as a result of the declared state of emergency (2 November-15 December 2007). The Government of Pakistan moved swiftly to increase Pakistani military operations in the Swat District and the federally administered tribal areas. While those operations were not decisive, the increased tempo of military operations forced the opposing militant forces to focus their efforts in Pakistan rather than Afghanistan and reduced the flow of fighters from Pakistan to Afghanistan. However, the various factions of opposing militant forces

in the federally administered tribal areas responded strongly to Pakistani military operations and there were indications that more ruthless commanders had started to supplant traditional tribal leaders in certain areas.

Programme Takhim-e-Sol

18. The Programme Takhim-e-Sol (Strengthening peace) is ongoing. As at 1 January 2008, nearly 5,000 people were reconciled via the programme. ISAF remained committed to supporting the programme within means available. President Karzai previously made reconciliation calls on the opposing militant forces.

Judicial reform and the rule of law

19. ISAF has a limited view of the Afghan judicial and penal system. Evidence suggests that the penal system continues to suffer from overcrowding, corruption and poor record-keeping. Widespread corruption and a general lack of awareness and understanding of the rule of law cause additional problems. The use of tribal or sharia law remains predominant.

20. During the reporting period, the Afghan Parliament's adoption of legislation continued at a slow pace. The absence of legislation minimized the ability of the judicial institutions to enforce law.

21. Formal State institutions of justice required a renewed and more coherent strengthening and restructuring effort. Several programmes were under way, with international support for the development of infrastructure and training of judges and prosecutors.

Disbandment of illegal armed groups

22. District implementation, which aims at implementing the disbandment of illegal armed groups at a more practical level by addressing those districts that can more easily be brought and held under compliance, is currently in its third implementation round:

(a) When combined with rounds 1 and 2, 52 districts in 22 provinces will have been affected by the implementation; 20 districts have already been declared compliant, with an additional 11 districts showing progress. To assist with the enforcement process, the Government is creating an enforcement unit. However, the Government has put additional enforced compliance operations on hold at the political level.

(b) The population in general does not support illegally armed groups, but in some areas people are coerced into agreeing with their activities. However, it should also be noted that the disbandment process is less effective in those areas of Afghanistan that are struggling to cope with security and narcotics challenges, and the process is further challenged where there is a lack of a sustained ISAF and/or Afghan security force presence.

(c) ISAF support to the disbandment of illegal armed groups continues. While the Government still sets the pace of the programme and establishes programme direction, ISAF representatives attend weekly meetings of the joint secretariat to ascertain the support and assistance required from ISAF. Such support is offered within ISAF resource availability.

Governance

23. Lack of security, lack of human capacity, inadequate infrastructure and widespread corruption continue to undermine the efforts of the Government of Afghanistan, and diminish the scope for the supporting role of ISAF and the wider international community in this critical area.

24. The development of legitimate, fair, robust and sustainable government institutions at national and subnational levels is a vital precursor to establishing the legitimacy and credibility of the Government among the Afghan people. Given the complex ethnic and tribal landscape and the legacy of the past, it must be expected that progress in this area will be slow. Currently, it is assessed that there is a broad degree of popular support for the Government. Given the slow progress, however, there is a growing risk that the Afghan population, increasingly jaded and cynical about the corruption, cronyism and partisan politics, may lose interest in the nascent political process.

25. The establishment of the Independent Directorate of Local Government with a mandate to develop clearer Government policy on subnational governance has been a positive development. The Directorate has recognized the importance of traditional tribal and family-based structures for local governance and is attempting to create a district "shura" model of local governance which capitalizes on those tribal and family linkages. The intention is that the shuras will provide representative government at local level in a form that is understood and accepted by locals and which interfaces with the national governance structures.

Development

26. Interaction between ISAF and the civilian environment is a key activity to ensure successful operations in Afghanistan. Development of an integrated strategy that optimizes support in line with the Afghanistan Compact would significantly further the synchronization of the efforts of the Government and the international community. Numerous difficulties persist with gaining the support of the average Afghan citizen and security remains a concern while attempting to show positive regional or countrywide effects.

27. Provincial Reconstruction Teams continue to play a key supportive role throughout the majority of the provinces and remain a primary mechanism for Afghan development and extending the reach of the Government and the international community. Coherence of effort between lead nations and the Government is essential in this respect.

28. An effective comprehensive approach by the international community aimed at synchronizing the efforts of the major stakeholders within Afghanistan, coupled with a decision to support all pillars of the Government's development strategy, is necessary to ensure a level of success and bring stabilization to Afghanistan. During the reporting period, the Government was on track to meet the strategy deadline of March 2008 for debt relief and preferential loan treatment set by the World Bank, thereby reaching one of the major milestones for future poverty reduction within Afghanistan.